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OREGON LABOR TRENDS

Prepared by Research and Statistics Section
STATE OF OREGON • EMPLOYMENT DIVISION • DEPARTMENT OF HUMAN RESOURCES
DECEMBER 1986

NOVEMBER INDICATORS

UNEMPLOYMENT RATE

Oregon	(Seas. Adj.)	
Nov.	1986	7.5
Oct.	1986	8.1
Nov.	1985	8.6
U.S.		
Nov.	1986	7.0
Oct.	1986	7.0
Nov.	1985	7.0

WAGE AND SALARY EMPLOYMENT INDEX

Oregon	1977=100	
Nov.	1986	113.0
Oct.	1986	113.0
Sept.	1986	112.2
Aug.	1986	112.5
July	1986	111.9

DIFFUSION INDEX

Oregon		
Nov.	1986	48.1
Oct.	1986	50.8
Sept.	1986	50.8
Aug.	1986	49.6
July	1986	43.0

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon		
Oct.	1986	39.0
Sept.	1986	38.8
Oct.	1986	39.4

CONSUMER PRICE INDEX (CPI)
1967=100
ALL URBAN CONSUMERS

Portland MSA		
Nov.	1986	318.0**
Yearly Change		+ 0.3%
U.S.		
Nov.	1986	330.8
Yearly Change		+ 1.3%

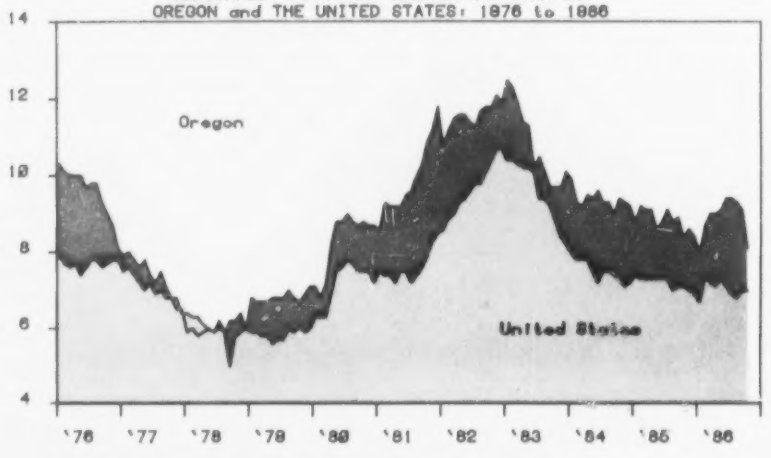
Portland Hotline 221-4132

UNEMPLOYMENT RATE DIPS TO 7.5%

Darrell Street

Oregon's seasonally adjusted unemployment rate fell for the fourth consecutive month in November. The improvement lowered Oregon's unemployment rate to 7.5%. While this rate is only one of the indicators (albeit the most popularly cited one) by which we measure the employment picture, it is noteworthy that November's rate was the lowest of any month this year. In fact, we would have to go all the way back to March 1980 to find the last time Oregon's rate of unemployment was this low.

SEASONALLY ADJUSTED UNEMPLOYMENT RATES*
OREGON and THE UNITED STATES: 1976 to 1986



* Civilian labor force only

**PORTLAND CPI SCHEDULE TO CHANGE IN 1987

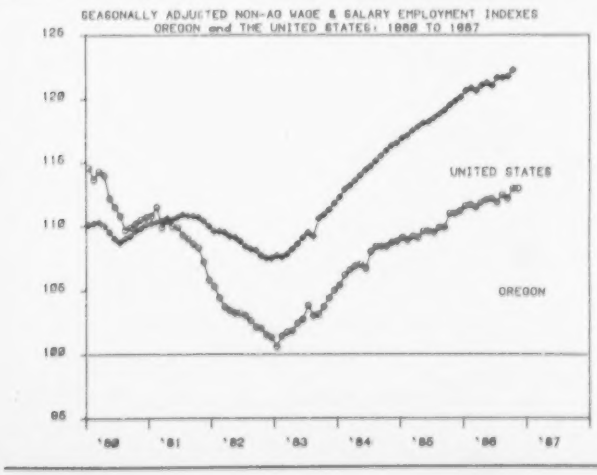
BLS is currently completing a major revision of the Consumer Price Index. Beginning in 1987, BLS will introduce revised versions of both the CPI-U and CPI-W. The revised CPIs will reflect updated patterns of consumer spending and will incorporate a number of technical improvements. Twelve regional indexes, including the Portland CPI, will be compiled on a semi-annual average basis instead of the current bimonthly basis. Therefore, the next Portland CPI release will be in August 1987, reflecting the average inflation rate for the first half of 1987. These changes will be discussed in more detail in the next issue of Oregon Labor Trends. □

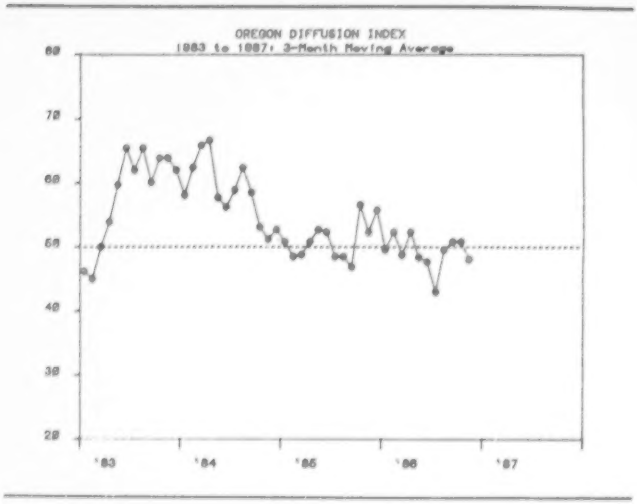
Oregon's total civilian employment in November was 1,298,900. Although this marked a drop of 2,300 from October's all-time high, an even larger drop was anticipated in light of historical trends. On the unemployment side, the 4,300 increase in the jobless count was considerably less than expected. November typically brings significant jumps in unemployment as seasonal layoffs occur in construction, lumber and wood products, and food processing. Taken as a whole, these seasonally responsive industries performed better than expected. In other words, although the total number of unemployed rose, the increase was not as large as usual for this time of year.

Lower than normal November layoffs were reflected in indicators of unemployment trends. For example, the October to November increase in the total number of Oregonians claiming unemployment insurance (UI) was only three-quarters of the expected amount. The number of new claims for UI benefits in November grew by only half what would be seasonally expected. Even though 104,300 Oregonians were unemployed, this marked the lowest November level since 1979. A comparison with the 154,900 out of work in November 1982 demonstrates that substantial economic progress has been made.

While November's lower unemployment rate is encouraging news, two other employment indicators lend a less bullish note. The diffusion index, which shows the percentage of a selected group of Oregon industries with an increase in seasonally adjusted employment, actually dropped a bit from its October level. This year the index has shown little in terms of a discernible trend. The diffusion index has hovered around the "neutral" 50.0 mark, offering little indication of any significant economic upturn in the near future.

The wage and salary employment index, a relative measure of Oregon's nonfarm payroll employment, was unchanged from October. We have seen a moderate rise in this index over the past several months corresponding to a 1.9% increase in nonfarm payroll jobs since this time last year. The index currently stands at 113.0 (1977=100.0). Not since March 1980 has the index been higher than the current level. Viewed in the context of how far we have had to come to restore jobs lost during the recession, the index points to the fact that only recently has nonfarm payroll employment recovered to levels seen more than six years ago.





A review of total nonagricultural wage and salary employment shows that Oregon has added 19,900 jobs since November of last year. Even though nonfarm employment dropped 6,400 over the month, this loss was seasonally expected.

The performance of the manufacturing sector was mixed in November. A decline of 6,500 manufacturing jobs accounted for all of the month's drop in total payroll employment.

A major newsmaker in durable goods manufacturing was lumber and wood products. Employment declined by only 600, a far better performance than the seasonally expected loss of 1700. Lumber and wood products employment has exceeded normal expectations for the past several months. However, much of the apparent employment strength is attributable to a prolonged British Columbia woodworkers strike which sharply curtailed Canadian imports into western U.S. markets. (A settlement has been reached, and B.C. mills resumed operations December 8.)

Nonetheless, November's strong showing in lumber and wood products served to offset sizeable job losses in other areas of durables good manufacturing. As a group, employment in the other durables manufacturing industries declined in November. Every area of durables manufacturing, except lumber and wood products, registered lower employment than a year ago. As has so often been the case, November's drop represented yet another seasonally adjusted job loss for durables manufacturers. High-technology companies, for example, continue to suffer from a worldwide slump in electronics products. November's loss of 300 "high-tech" jobs matched the average monthly decline suffered since the start of the year. The weakness in manufacturing employment has persisted for several years. Oregon's job shift away from manufacturing to nonmanufacturing continues to change the shape of the Oregon economy. (The "Year In Review" article appearing in this issue provides an analysis of the past year's labor trends.)

Nondurable goods manufacturing conformed to historical employment trends in November. The 4,600 drop in food and kindred products jobs was precisely what was expected based on the pattern of prior years. Little employment change occurred in any of the other nondurable industries.

November was a rare stagnant month in nonmanufacturing where employment grew by only 100. While this was in line with predicted seasonal behavior, it represented an exception to the long running trend of real growth in nonmanufacturing jobs. Nonmanufacturing, which encompasses a widely diverse group of industries, changed little during the month, although certain industry groups showed significant employment activity.

Retail trade added 2,700 jobs, with much of the hiring coming from general merchandisers gearing up for Christmas shoppers. Trucking and warehousing was up again in November. Steady gains have been notched in this industry, and employment stands nearly 6% above last year. Construction employment dropped by 2,700. Services, an area that includes activities as diverse as boat rental, health care, lodging, and auto repair, recorded a decline of 2,000. While the drop in construction was seasonally expected, the decline in services was unusually large.

November was the first time in many months that services, which has added 12,900 jobs since last year, recorded a substantial employment loss. Looking behind the decline, we see that industries influenced by tourism dropped substantial numbers of jobs in November. This year's tourist season was unique, both in magnitude and in length. Oregon businesses benefited from visits by EXPO '86 bound vacationers. Traveler surveys indicate that over two-thirds of EXPO destined travelers stayed at least one night or more in Oregon. Industries benefiting from the increased travel activity registered record high employment throughout the summer months. With Vancouver's exposition running well into October, the early autumn months maintained tourism-related employment at relatively high levels. November's decline in hotels and lodging (-600), and amusement and recreation services (-600) brought employment more nearly in line with levels typical of the autumn months.

November's seasonally adjusted unemployment rate fell even though, in absolute terms, total employment dropped and unemployment rose from October's marks. But the key word of explanation is "expectations". Compared with years past, Oregon's economy performed a little better than expected in November thanks, in large part, to unseasonal strength in lumber and wood products. To the extent that this strength may be short term, however, and related to the recently settled Canadian woodworkers strike, further improvement in Oregon's unemployment rate this winter may be very hard to come by. □

1986 — YEAR IN REVIEW

Jeff Hannum

Take your pick....Oregon's economy either slumped, marked time, or continued to grow and reach new heights in 1986. Actually, all three answers are correct, depending on which yardstick you choose and your own personal perspective. For this writer, the first picture that emerges of Oregon's economy in 1986 is about as clear as the waters of the Colorado River at Lava Falls in the Grand Canyon.... after a rain storm! In other words, it's a bit murky. And no wonder! We're literally swamped with data telling us how the economy is faring day by day. The challenge is to make coherent sense out of this flood of data, especially when the indicators move in contradictory directions. To some extent, this mixed pattern is normal, especially in the fourth year of an economic expansion. Another factor, though, may be the accuracy of the data itself which, in many cases, is sample-based, preliminary, or even projected.

The accompanying table showing selected socio-economic indicators from 1979 through 1986 is a case in point. According to Portland State University's Center for Population Research and Census, Oregon's total population declined by 16,300 between July 1985 and July 1986, as net out-migration from Oregon resumed. The last period of net out-migration was during 1981-83 when the State was struggling through one of the worst recessions in recent memory.

Preliminary data through November 1986, however, indicate that Oregon's annual average labor force and resident employment each increased by over 30,000 between 1985 and 1986, reaching new all-time highs! Although the number of unemployed Oregonians did not change much from 1985's 117,000, the State's jobless rate is expected to average about 8.6%, a slight improvement from last year.

SELECTED ECONOMIC INDICATORS FOR OREGON, 1979-1986

Year	Total Population	Civilian Labor Force	Unemployment Number	Unemployment Rate	Nonfarm Wage & Salary Employment	Mfg.	Nonmfg.	Real Average Hourly Earnings in Mfg. (1979 dollars)	Portland CPI-U (Annual Average Change)
	(000)	(000)	(000)	(%)	(000)	(000)	(000)	($)	(%)
1979	2,584.4	1,217.0	83.0	6.8	1,056.2	228.5	827.7	$7.92	13.6
1980	2,639.9	1,295.0	107.0	8.3	1,044.6	215.1	829.5	7.63	13.3
1981	2,660.7	1,337.0	132.0	9.9	1,018.4	202.7	815.7	7.67	8.9
1982	2,656.2	1,324.0	153.0	11.5	960.8	185.7	775.1	7.87	3.2
1983	2,635.0	1,341.0	145.0	10.8	966.7	188.8	779.1	7.96	1.1
1984	2,660.0	1,335.0	125.0	9.4	1,006.9	201.1	805.8	7.82	3.8
1985	2,675.8	1,327.0	117.0	8.8	1,029.0[1/]	199.9[1/]	829.1[1/]	7.57[1/]	3.8
1986	2,659.5	1,359.1[2/]	117.2[2/]	8.6[2/]	1,050.8[2/]	198.6[2/]	852.2[2/]	7.54[2/]	1.4[2/]
(1979-86 Change)	+75.1	+142.1	+34.2	+1.8	-5.4	-29.9	+24.5	-0.38	-12.2

1/ Preliminary data
2/ Projected annual average

The monthly trend for Oregon's seasonally adjusted unemployment rate in 1986, however, was anything but stable. It began the year at 8.0% in January, climbed to a plateau of 9.4% during the summer months, then began to drop sharply in the fall. November's rate of 7.5% was the lowest since March 1980 when the recession was just getting underway in Oregon. Despite this recent improvement, Oregon's jobless rate still has a way to fall before it measures up to the expected U.S. unemployment average of 7.1% this year, or to Oregon's pre-recession rate of 6.8% set in 1979.

One of the best yardsticks for assessing Oregon's economic performance is nonfarm wage and salary employment. By this measure, 1986 was almost a mirror image of 1985 as the tally of nonfarm payroll jobs grew by about 22,000, or 2.1%. While this indicates steady progress, the annual average in 1986 will be about 5,000 shy of the pre-recession peak of 1,056,200 set in 1979. The good news is that nonfarm employment, as measured by the wage and salary employment index, has been on an upward path during most of this year. In both October and November, this seasonally adjusted index reached 113.0 which, like the unemployment rate, was the best performance since March 1980.

However, if we look at another employment indicator, the diffusion index, Oregon's economy appeared to be, at best, only marking time this year. This yardstick, which indicates the percentage of a selected group of 43 industries which are expanding based on seasonally adjusted employment, has gyrated within a couple of points either side of the neutral 50% mark all year. The only exception to this trend was in July when the index slipped to 43.0, reflecting strikes in lumber and wood products and layoffs in several other durable goods manufacturing industries.

The relatively weak picture of Oregon's economy painted by the diffusion index can be largely explained by the way this index is constructed. Since it is intended to be a leading economic indicator, manufacturing industries are given relatively heavy weights, since they tend to respond more quickly to changing business conditions than do nonmanufacturing industries. One problem with this index, however, is that Oregon's economy has been changing structurally since 1980 when the last recession began. One major trend, both in Oregon and the Nation, has been the employment shift away from manufacturing toward nonmanufacturing, especially the trade and service-related industries. The table shows the magnitude of this bipolar trend in Oregon. Manufacturing lost nearly 43,000 jobs (-19%) between 1979 and 1982. By 1984, approximately one-third of these jobs had re-appeared. While the overall economy continued to expand in 1985 and 1986, manufacturing employment slipped, losing about 1,300 jobs in the past year alone. Even without the slight increase in strike activity during 1986, the trend would have been the same.

To what extent the 30,000 manufacturing jobs lost between 1979 and 1986 have actually disappeared or merely been reincarnated in nonmanufacturing industries is unknown. What is apparent is that nonmanufacturing employment also declined during the recession by over 54,000 jobs, mostly in construction and trade. Since 1982, however, the nonmanufacturing sector has been expanding every year. In 1986, about 23,000 jobs were created pushing nonmanufacturing employment past its previous peak in 1980 to a new record high of about 852,000!

The pattern of growth between 1985 and 1986 has been indicative of the trend over the past several years. The vast majority of new jobs added in the last year have come in the service industries and retail trade. Business services, which includes a broad range of firms providing advertising, building maintenance, security, personnel supply, data processing, management consulting, and related services has been particularly strong. To a certain extent, rapid growth in some of these areas simply reflects the restructuring process underway in other industries. In manufacturing, for example, intense foreign and domestic competition coupled with weak market prices, has forced many firms to reduce operating costs wherever possible. One way has been to replace higher-paid manufacturing workers with lower-paid service industry workers through "contracting out" such activities as building maintenance and protective service, and relying more on firms which provide temporary workers in place of hiring permanent staff. In these cases, the jobs may be the same, but the actual employer may be a service firm rather than a manufacturing company.

Other nonmanufacturing sectors which performed well in 1986 were health services (excluding hospitals), real estate, and various travel/recreation-related industries. These job gains reflect the growing elderly population and emphasis on providing out-patient health care, lower mortgage interest rates which fueled residential real estate activity, and also the record volume of tourists, many of whom were en route to EXPO '86 in Vancouver, B.C.

Despite the big drop in interest rates and boost in single-family residential building from a year ago, total employment in the construction industry remained at the 1985 level of 32,100. Weakness was evident in heavy construction, apartment building, nonresidential building construction, and some of the special trades. This lack of any overall improvement left construction employment in 1986 about 21,000 below the 1979 peak, and only 5,100 above the industry's low point reached in 1983.

Another important part of Oregon's economy which appears to have just "marked time" over the past year is agriculture. Although this industry is very diverse in Oregon and some sectors prospered while others did not, the overall picture showed no significant change, both in terms of employment and gross value of farm sales.

Within agriculture, however, there were some significant trends in terms of gross farm sales. According to preliminary data from the Agricultural Extension Service, the value of all crops in 1986 rose slightly, but the value of grain sales plummeted by about 28%! This primarily reflects the price of wheat which declined by nearly $1 per bushel from last year. Sales of small fruits and berries soared by 50% due to increased acreage and

RESIDENT OREGON LABOR FORCE

	NOV. 1986 1/	OCT. 1986 2/	CHANGE	% CHANGE	NOV. 1985 5/
CIVILIAN LABOR FORCE 3/	1,403,100	1,401,100	2,000	0.1	1,341,600
UNEMPLOYMENT	104,300	100,000	4,300	4.3	114,800
PERCENT OF LABOR FORCE	7.4	7.1	XXX	XXX	8.6
SEASONALLY ADJUSTED PERCENT	7.5	8.1	XXX	XXX	8.6
TOTAL EMPLOYMENT 4/	1,298,800	1,301,100	- 2,300	- 0.2	1,226,800

1/ PRELIMINARY. 2/ REVISED. 3/ INCLUDES EMPLOYED AND UNEMPLOYED INDIVIDUALS 16 YEARS AND OLDER. DATA ARE ADJUSTED FOR MULTIPLE JOB-HOLDING AND COMMUTING. 4/ INCLUDES NONAGRICULTURAL WAGE AND SALARY, SELF-EMPLOYED, UNPAID FAMILY WORKERS, DOMESTICS, FARM WORKERS, AND LABOR DISPUTANTS. 5/ DUE TO REVISED ESTIMATING PROCEDURES BETWEEN DECEMBER 1985 AND JANUARY 1986, DATA FOR 1986 AND THAT OF PREVIOUS YEARS ARE NOT STRICTLY COMPARABLE.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	NOV. 1986 1/	OCT. 1986 2/	NOV. 1985	CHANGE FROM OCT. 1986	CHANGE FROM NOV. 1985
TOTAL 3/	1,070,500	1,076,900	1,050,600	- 6,400	19,900
WAGE & SALARY EMPLOYMENT INDEX 4/	113.0	113.0	111.0	XXX	XXX
DIFFUSION INDEX 5/	48.1	50.8	52.3	XXX	XXX
TOTAL MANUFACTURING	196,300	203,400	201,100	- 6,500	- 4,200
DURABLE GOODS	142,700	144,500	146,900	- 1,800	- 4,200
LUMBER & WOOD PRODUCTS	65,300	65,900	63,600	- 600	1,700
LOGGING & SAWMILLS	34,200	34,800	33,300	- 600	900
VENEER & PLYWOOD	17,300	17,100	16,300	200	1,000
MILLWORK & STRUCTURAL WOOD	8,700	8,900	8,800	- 200	- 100
MOBILE HOMES	1,400	1,500	1,600	- 100	- 200
OTHER WOOD PRODUCTS	3,700	3,600	3,600	100	100
FURNITURE AND FIXTURES	2,700	2,900	2,900	- 200	- 200
STONE, CLAY, GLASS & CONCRETE	2,700	3,000	2,800	- 300	- 100
PRIMARY METALS	8,200	8,400	8,900	- 200	- 700
BLAST FURNACES, IRON & STEEL	5,100	5,300	5,700	- 200	- 600
NONFERROUS METALS	3,100	3,100	3,200	0	- 100
FABRICATED METALS	10,800	10,900	12,100	- 100	- 1,300
FABRICATED STRUCTURAL METALS	5,000	5,000	6,200	0	- 1,200
OTHER FABRICATED METALS	5,800	5,900	5,900	- 100	- 100
MACHINERY	14,400	14,400	15,400	0	- 1,000
ELECTRICAL EQUIPMENT & SUPPLIES	13,100	13,200	13,600	- 100	- 500
TRANSPORTATION EQUIPMENT	10,800	11,100	10,900	- 300	- 100
INSTRUMENTS & RELATED PRODUCTS	12,100	12,100	14,200	0	- 2,100
MISCELLANEOUS MANUFACTURING	2,600	2,600	2,500	0	100
NONDURABLE GOODS	54,200	58,900	54,200	- 4,700	0
FOOD & KINDRED PRODUCTS	23,300	27,900	24,000	- 4,600	- 700
CANNING & PRESERVING	12,700	17,200	13,300	- 4,500	- 600
OTHER FOOD PRODUCTS	10,600	10,700	10,700	- 100	- 100
TEXTILE MILL PRODUCTS	1,600	1,600	1,600	0	0
APPAREL	2,300	2,300	2,200	0	100
PAPER & ALLIED PRODUCTS	9,000	9,100	9,100	- 100	- 100
PRINTING & PUBLISHING	11,800	11,900	11,600	- 100	200
CHEMICALS & ALLIED PRODUCTS	2,000	2,000	1,900	0	100
PETROLEUM REFINING	400	400	300	0	100
RUBBER & PLASTIC PRODUCTS	3,300	3,200	3,000	100	300
LEATHER PRODUCTS	500	500	500	0	0

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	NOV. 1986	OCT. 1986	NOV. 1985	CHANGE FROM OCT. 1986	CHANGE FROM NOV. 1985
(CONT.)					
TOTAL NONMANUFACTURING	873,600	873,500	849,500	100	24,100
MINING & QUARRYING	1,700	1,800	1,700	- 100	0
CONSTRUCTION	31,800	34,500	31,700	- 2,700	100
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	59,400	59,200	58,800	200	600
TRANSPORTATION	38,200	38,100	37,000	100	1,200
RAILROAD	4,400	4,500	4,800	- 100	- 400
TRUCKING & WAREHOUSING	22,200	22,000	21,000	200	1,200
OTHER TRANSPORTATION	11,600	11,600	11,200	0	400
COMMUNICATIONS	12,900	12,800	13,200	100	- 300
UTILITIES	8,300	8,300	8,600	0	- 300
TRADE	270,200	268,100	266,500	2,100	3,700
WHOLESALE TRADE	67,000	67,600	68,300	- 600	- 1,300
DURABLE GOODS	38,900	39,200	39,600	- 300	- 700
NONDURABLE GOODS	28,100	28,400	28,700	- 300	- 600
RETAIL TRADE	203,200	200,500	198,200	2,700	5,000
GENERAL MERCHANDISE	29,000	26,700	27,800	2,300	1,200
FOOD STORES	31,700	31,300	29,400	400	2,300
AUTO DEALERS & SERVICE STATIONS	24,200	24,800	24,300	- 600	- 100
OTHER RETAIL TRADE	118,300	117,700	116,700	600	1,600
FINANCE, INSURANCE, & REAL ESTATE	71,200	70,800	67,500	400	3,700
BANKING & CREDIT AGENCIES	23,900	23,700	23,900	200	0
OTHER FINANCE, INSURANCE, & REAL ESTATE	47,300	47,100	43,600	200	3,700
SERVICES	231,700	233,700	218,800	- 2,000	12,900
HOTELS & PERSONAL SERVICES	24,600	25,200	23,500	- 600	1,100
HEALTH SERVICES	73,900	74,000	70,400	- 100	3,500
OTHER SERVICES	133,200	134,500	124,900	- 1,300	8,300
GOVERNMENT	207,600	205,400	204,500	2,200	3,100
FEDERAL GOVERNMENT	28,000	28,400	28,600	- 400	- 600
STATE GOVERNMENT	57,100	56,200	55,300	900	1,800
EDUCATION	25,300	24,500	24,300	800	1,000
OTHER STATE	31,800	31,700	31,000	100	800
LOCAL GOVERNMENT	122,500	120,800	120,600	1,700	1,900
EDUCATION	78,500	77,000	78,000	1,500	500
OTHER LOCAL	44,000	43,800	42,600	200	1,400
LABOR-MANAGEMENT DISPUTES	100	100	0	0	100

1/ PRELIMINARY

2/ REVISED

3/ INCLUDES FULL AND PART-TIME NONFARM WAGE AND SALARY WORKERS IN PAY PERIODS INCLUDING THE 12TH OF THE MONTH. PROPRIETORS, SELF-EMPLOYED, PRIVATE HOUSEHOLD WORKERS AND ARMED FORCES EXCLUDED. NOTE: ESTIMATED IN COOPERATION WITH THE U.S. BUREAU OF LABOR STATISTICS AND EMPLOYMENT AND TRAINING ADMINISTRATION. ALL DATA ARE BASED ON THE 1972 STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODES AS AMENDED BY THE 1977 SUPPLEMENT.

4/ TOTAL NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, SEASONALLY ADJUSTED, AND INDEXED TO 1977. DATA ON THE EARLIER INDEX (1972 = 100) CAN BE CONVERTED TO THE 1977 BASE PERIOD BY MULTIPLYING BY A FACTOR OF .8264, THE RATIO BETWEEN 1972'S ANNUAL AVERAGE EMPLOYMENT (774,300) AND THAT OF 1977 (936,900).

5/ THE DIFFUSION INDEX IS THE PERCENTAGE OF A SELECTED GROUP OF 43 INDUSTRIES SHOWING AN INCREASE IN SEASONALLY ADJUSTED EMPLOYMENT. HALF OF THOSE INDUSTRIES SHOWING NO SIGNIFICANT CHANGE (LESS THAN 1/2 OF 1%) ARE COUNTED AS INCREASING.

much stronger prices. Specialty horticultural products which includes nursery and greenhouse products, Christmas trees, bulbs, etc. continued to be a bright spot as sales rose by 12%. In 1985, this segment of agriculture barely edged out cattle and calves to claim the distinction of having the highest value of farm sales. This year, specialty products growers strengthened their leading position since the value of cattle and calve sales declined by about 5% due to smaller herd size.

In general, agriculture remained a weak link in Oregon's economy in 1986. Commodity surpluses, low market prices, high debt levels, declining asset values, and foreign competition continued to impact many producers. These problems were cushioned, however, by government transfer payments, falling interest rates and oil prices, one of the lowest inflation rates in over two decades, and a further drop in the foreign exchange value of the dollar which makes U.S. products easier to sell abroad.

The cheaper dollar wasn't able to reverse the trend of job losses in manufacturing during 1986, but Oregon's number one basic industry, lumber and wood products, managed to do so. The formula used was actually a concoction of lower interest rates, strong housing demand, wage and benefit concessions by Oregon mill workers, a protracted labor-management dispute which idled many mills in British Columbia for nearly four months, and also an interim 15% duty imposed on Canadian lumber imports by the U.S. Commerce Department in October. The net result of all these factors was a modest increase of about 800 in lumber and wood products employment in 1986, despite a number of strikes last summer against the major wood products companies. Although employment in this major industry was up over the year to just over 64,000, it remains about 20% below the peak levels of 1978 and 1979.

A different picture emerges, however, if we look at the volume of lumber and plywood produced. Preliminary estimates by the Western Wood Products Association indicate that lumber production in Oregon during 1986 increased by about 11% to an all-time high of around 8 billion board feet. This level is almost 10% higher than in 1979. A similar preliminary estimate by the American Plywood Association puts Oregon's panel production about 5% higher in 1986 compared with 1985. Although this will be a record year for production of structural panels in the U.S., Oregon's volume of about 7.1 billion square feet (3/8 inch basis), representing 30% of U.S. production, will not be a record. In any event, it is evident that the wood products industry has become much more efficient since the late 1970s.

In order to become more competitive with other producers in Canada and the Southern U.S., many wood products companies in the Pacific Northwest have also reduced their operating costs. This past summer, for example, the major firms won significant wage and benefit concessions from union workers amounting to about $3 to $4 per hour. Although these labor settlements will help stabilize employment in many rural Oregon communities, there will be a significant direct and indirect income loss as millworkers curtail their personal spending.

Re-structuring of wages and benefits has been occurring in many other manufacturing industries as well. This trend, plus the changing mix of industries within total manufacturing, largely explains the decline in real average hourly earnings in manufacturing during the past several years (see table). Although actual hourly earnings will be up this year to about $10.59 from $10.49 in 1985 and $7.92 in 1979, this represents a decline in real earnings after adjusting for inflation using the portland CPI-U. Considering that 1986 had one of the lowest inflation rates in over two decades, it is discouraging to see another drop in real average hourly earnings this year to the lowest level in over eight years.

There was only one other manufacturing industry which managed to add more workers in 1986 than lumber and wood products. Employment in transportation equipment jumped by nearly 15% (+1,400) reflecting a pick-up in ship repair activity which began in late 1985. Employment levels in ship repair, however, are very volatile and depend heavily on Navy and Coast Guard jobs which are generally awarded to the lowest bidder.

During the first half of 1986, employment in fabricated metals was bolstered by the construction of oil drilling modules destined for Alaska's North Slope. The sharp drop in oil prices coupled with contract completions, however, have brought this activity to a virtual standstill since last summer.

The real Achilles' heel of Oregon's economy in 1986, at least in terms of employment, was clearly the electronics industry. This sector, which includes part of the machinery industry, electrical equipment and supplies, plus instruments and related products, has been in the doldrums since 1984. Weak markets, excess production capacity, and intense foreign and domestic competition have caused many high tech companies to pare their work forces. The toll in just the past year was a loss of about 8%, or 2,700 jobs. While many expect a turnaround next year fueled by rising export sales, employment in the electronics industry in 1986 will sink to around 31,000 representing the lowest level since 1979.

In summary, Oregon's economy continued to recover and generate new jobs in 1986, but the unemployment rate remained high due to a parallel rise in the labor force. Although trends varied significantly among industries, the general pattern of an employment shift from manufacturing to nonmanufacturing industries continued to dominate. Wage increases in manufacturing were very small, and in some industries such as lumber and wood products, workers took pay cuts to protect jobs. On balance, 1986 was another year of mixed results, where the pluses outweighed the minuses. How Oregon's economy is likely to fare in 1987 will be the focus of an article in next month's issue of Oregon Labor Trends. □

U.S. INCOME MEASURES DIVERGING

Arthur Ayre

Over the past 15 years in the United States, people earning high incomes have increased their lead on those earning lower incomes. This trend has been especially prominent for males, due both to an increase in part-time or temporary work and to a genuine widening of the gulf between pay in the small upper income group and that in the large lower income group.

One way to analyze the available data is to compare the mean income (Total Money Income divided by number of persons with income) with median income (the level at which half of all persons with income earn more and half earn less). The graph shows that, for all males (age 14 and over) with money income, the ratio of mean to median income has risen steadily from 1.13 in 1970 to 1.27 in 1985. This ratio means that, in 1985, the mean income was 27% higher than the median income.

For all females with money income, the ratio hasn't shown a consistent trend, but it is interesting to notice the large discrepancy between the mean and median income. Mean income for all females was 41% higher than median income in 1985, about the same as in 1970.

The ratios for those with year-round, full-time work have remained much more constant than those which also include seasonal, temporary, and part-time workers. Nevertheless, there is a modest trend toward a greater disparity between a smaller upper income group and a larger lower income group. The mean to median ratio for female year-round full-time workers has risen smoothly from 1.08 to 1.11. For males, the ratio has shown considerable fluctuation, apparently in concert with national economic conditions. The ratio for males was as low as 1.10 in 1973 and as high as 1.15 in 1985.

The differences between the all income recipients' ratios and the year-round full-time workers' ratios can be explained partly by the graph of year-round full-time workers as a percent of civilian income recipients. Only slightly over 30% of female civilian income recipients work on a year-round full-time job. Since so many females work at part-time or temporary jobs, it is understandable that the minority who work at full-time year-round jobs would cause the mean income to be much higher than the median income.

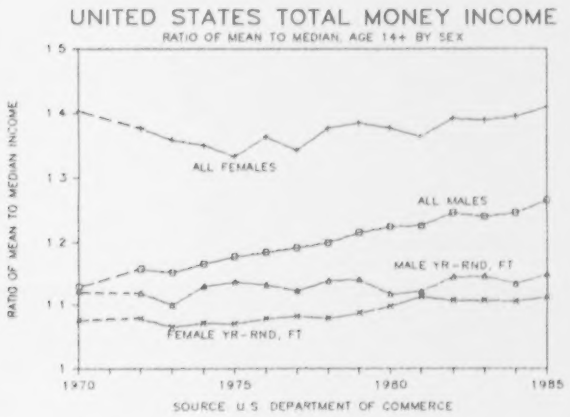
AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS 1/

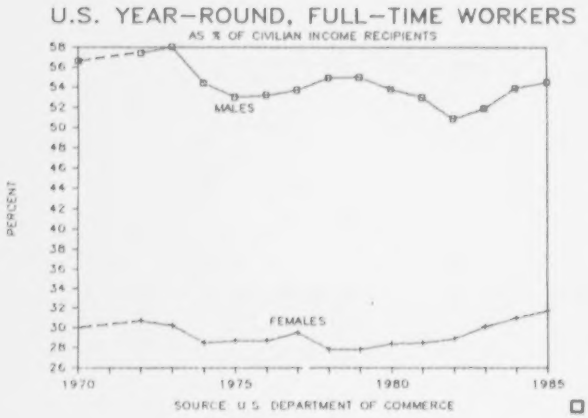
	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Oct. 2/ 1986	Sep. 3/ 1986	Oct. 1985	Oct. 2/ 1986	Sep. 3/ 1986	Oct. 1985	Oct. 2/ 1986	Sep. 3/ 1986	Oct. 1985
TOTAL MANUFACTURING 4/	$405.99	$403.52	$407.40	39.0	38.8	39.4	$10.41	$10.40	$10.34
Durable Goods	418.70	419.10	428.80	39.5	39.5	40.0	10.60	10.61	10.72
Lumber & Wood Products	422.53	422.53	453.10	39.6	39.6	40.6	10.67	10.67	11.16
Logging & Sawmills	450.87	447.08	489.95	39.9	39.6	41.0	11.30	11.29	11.95
Veneer & Plywood	412.38	418.15	439.15	39.5	39.9	40.7	10.44	10.48	10.79
Millwork & Struct Wood	356.90	362.00	354.76	39.7	40.0	39.2	8.99	9.05	9.05
Mobile Homes	296.70	295.27	304.92	34.3	33.9	36.0	8.65	8.71	8.47
Other Wood Products	400.24	400.40	447.72	38.3	38.5	41.0	10.45	10.40	10.92
Furniture & Fixtures	323.23	312.31	335.60	41.6	38.7	40.0	7.77	8.07	8.39
Primary Metals	478.40	485.61	498.78	39.8	40.4	41.6	12.02	12.02	11.99
Fabricated Metals	378.28	390.40	381.97	39.2	40.0	39.5	9.65	9.76	9.67
Machinery	426.34	431.79	416.23	38.9	38.9	38.9	10.96	11.10	10.70
Nondurable Goods	372.62	368.52	353.05	37.6	37.3	37.8	9.91	9.88	9.34
Food & Kindred Products	296.09	284.83	289.13	36.6	36.1	37.5	8.09	7.89	7.71
Canning & Preserving	248.86	243.18	254.60	35.4	35.5	38.0	7.03	6.85	6.70
Other Food Products	404.00	401.74	381.11	39.3	37.9	36.4	10.28	10.60	10.47
Textile Mill Products	243.89	233.06	229.82	39.4	35.8	37.8	6.19	6.51	6.08
Apparel	207.42	210.24	204.98	35.7	36.0	37.0	5.81	5.84	5.54
Paper & Allied Products	610.44	631.91	592.86	40.4	40.9	41.0	15.11	15.45	14.46
Printing & Publishing	439.64	451.51	387.45	37.1	37.1	35.0	11.85	12.17	11.07
Construction 4/	507.38	514.23	490.82	37.5	37.7	35.8	13.53	13.64	13.71
Communications & Utilities 5/	509.56	514.55	502.63	40.7	41.0	40.6	12.52	12.55	12.38
Trade 5/	277.54	286.90	280.38	33.6	34.4	33.7	8.26	8.34	8.32
Wholesale Trade	380.51	382.66	380.14	37.6	37.7	37.6	10.12	10.15	10.11
Retail Trade	229.19	241.08	231.82	31.7	32.8	31.8	7.23	7.35	7.29
Banking & Insurance	301.46	301.21	283.48						
State & Local Government	352.86	372.72	339.86						

1/ Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.
2/ Preliminary
3/ Revised
4/ Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.
5/ Data for nonsupervisory employes only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.

During the recessionary periods of the mid-1970s and early 1980s, year-round full-time work decreased among male income recipients, helping to explain the increase in mean to median ratio. During these periods, if those who earned the least were removed from the ranks of the full-time year-round workers, the median income would increase slightly but the mean income would increase substantially, causing a rise in the ratio.

Not shown on the graph is the ratio of median income of males to that of women. For full-time year-round workers, this ratio was 1.69 in 1970 and 1.54 in 1985, showing a drop over the past 15 years but still a large difference between the two medians.





EMPLOYERS' CORNER — MAKING A DIFFERENCE

Dorothy Monnier

As employers, you may wonder if your voice is heard by State legislators or national congressmen. Let me tell you that we know it is.

During the month of August, Ray Thorne, Employment Division Administrator, received a call from UBA, Management Consultants in Washington, D. C., alerting him about a piece of legislation that was moving quickly through Congress. This particular piece of legislation would have extended a temporary .2% tax on the Federal Unemployment Tax Act (FUTA). This tax was imposed in 1977 to pay a debt incurred by an extension of federal UI benefits and was to sunset December 31, 1987.

The extension of this .2% penalty would mean employers would continue paying an additional $14.00 per year on each employee who had earnings of $7,000 or more. This would mean a lot of money to some employers.

The reasons for opposing this legislation were:

1. Revenue from the FUTA tax is dedicated and cannot be spent for any purpose other than that for which it was allocated.

2. Extension of this tax is not necessary because the debt will be paid in full by the end of 1987.

3. This tax is creating a significant surplus (1.2B) in the fund while cuts are being made in the budget outlay. It does not make sense to add a tax while a surplus is building and budgets are being cut.

The Oregon Executive Job Service Employers' Committee (JSEC) executive officers were notified immediately about this legislative bill. The executive officers called Oregon's congressional delegation and the national JSEC chairperson, stating their opposition to the extension. Copies of a letter written by the Douglas County JSEC were mailed to all Oregon JSECs, encouraging them to write letters to their congressmen. There was an overwhelming response from Oregon employers as well as employers nationwide voicing their opposition to this extension.

In October we received a letter from UBA thanking Ray for paving the way in killing this piece of critical legislation. Good communications to Oregon concerned employers who were willing to take a stand, resulted in enough clout to create change at the national level. **UNITED, YOU CAN AND DO MAKE A DIFFERENCE.** □

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OREGON LABOR TRENDS

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